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SELF-CRITICISM OF RUMANIAN STATISTICAL SYSTEM

/Summary: Vasile Luca, (former) Minister of Finance, in speeches in October 1949 and April 1951, stated that records and plan figures were not sufficiently accurate. Manea Manescu, chief of the Central Directorate of Statistics, in a 9 January 1952 article in Viata Sindicala, pointed out that little had been done to remedy this situation. The following report, taken from Probleme Economice and other sources, indicates the problems in the maintenance of accurate figures in particular industries and sectors.

Numbers in parentheses refer to appended sources./

Rumanian Statistical System

M. Maevschi, in the September 1951 issue of Probleme Economice, states that the present system of records and statistics in the RPR (Rumanian People's Republic), which is patterned after the Soviet khozraschet (cost-accounting) system, was introduced in 1949. The complexity of the system permitted its application in modified form only, he continues. According to M. Maevschi, its function in the RPR is based on the regulation of contractual relations and agreements between the various state economic organizations and enterprises, the creation of state prices, state arbitration, state budget, state control of administrative costs of enterprises, the creation of a savings plan, the planning of salaries and wages, the remuneration of labor according to quantity and quality of work, the introduction of the prize award system, and the control of accounting within enterprises.

Maevschi states that Vasile Luca, in a speech on 19 October 1949, pointed out a number of difficulties in the application of this statistical system. At that time he (Luca) said that there were defects in the organization of records and in the control of costs and expenses, failures to respect plan

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figures in regard to the level of costs and the unjustified increase in delivery prices, the lack of norms for the utilization of materials, unrealistic work norms, faulty application of the system for the award of prizes, failure to respect quality specifications, and large-scale errors in planning and organization.

In April 1951, almost 2 years later, Vasile Luca again spoke on the application of the accounting system. He found that many faults had not been remedied. He pointed out that a number of enterprise managements had shown an uncooperative attitude toward the introduction of this system for determining the profitability of economic units. The increase in salary had exceeded the increase in labor productivity, thus raising the production costs. There were deviations from financial discipline. There was a tendency to avoid contracts or not to fulfill them.(1)

Over-all Picture

The over-all statistical and accounting picture is presented by Manea Manescu, Director General of the Central Directorate of Statistics, writing in the 9 January 1952 issue of Viata Sindicala. He states the following:

Satisfactory and accurate data on total production and the quality of production are necessary for the computation of over-all statistics. However, this work has not been fully understood by the recording and statistical organs of a number of ministries and departments. This has caused difficulties for these agencies, as well as for others. The Department /now Ministry/ of Communal Enterprises and Local Industries delivered statistics to the State Statistical Commission later than the date required. The work of consolidating statistics was not understood by all units, which prevented the statistics for the third quarter of 1951 from being compared with those of the previous period. Total figures for work and wages for October 1951 left out nine enterprises. Total figures for purchases were given for only seven regions and three important cities out of a total of 36. Likewise, the Ministry of Agriculture's statistics were late and showed a lack of comprehension by all units.

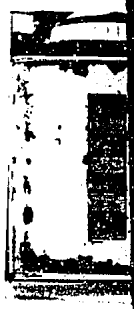
The Central Union of Consumer Cooperatives delivered statistics late. Numerous units were lacking in the over-all figures for investments, wages, and salaries. The Ministry of Forestry, Paper, and Cellulose Industries failed to turn statistics in according to schedule.

A number of statistical organs in ministries and departments failed to assure the quality of their statistical data, Manescu states. The Ministry of Light Industry, for example, turned in statistics which had to be recomputed. Columns of figures did not check, he says. The administration of CAM (Directorate of Monopolies) of the Ministry of Food Industries handed in statistics on work and salary which were full of errors and pencil corrections. At some ministries and departments, the statistical work is carried out by employees who have other main tasks.

Manescu continues as follows:

The training of statisticians must be a chief concern of ministries, departments, and statistical organs. In many economic units the cultural level of statisticians is very low. Organs in charge of statistics do not bother to verify the figures of such employees.

All these errors show a lack of attention for statistics and the lack of comprehension by ministries, departments, and others of the figures which are the very basis of the proper functioning of the state. Many enterprises are guilty of using their own methods of computation, instead of those required by the State Statistical Commission. At some units, indexes are calculated in an erroneous manner without regard for instructions. Serious errors are made in the computation of labor productivity, fulfillment of norms, and wage figures.



In some enterprises, primary statistics, the very basis of the statistical system, are treated superficially. The managements do not make an effort to standardize, so that individual components formulate statistics that have different values. For example, in Vulcan, the management and sections found themselves in a difficult situation when called upon to prove statistical figures, because primary records had been faulty. In one enterprise in Bucharest, the chief of statistics had failed to maintain daily records, and then had to create his own figures.(2)

Manipulation in Plan Fulfillment

Articles which give illustrations of these errors in individual industries and enterprises have appeared in Probleme Economice. For example, R. Lazar and G. Saon, in the September 1951 issue, write that fulfillment of investment plans for capital goods in the electrical equipment industry does not necessarily represent added production capacity. Lazar and Saon give the following as an illustration: Machine tools were delivered to Electro-Precizia in Stalin, to Electro-Putere in Craiova, and to Electro-Aparataj in Bucharest. However, these machine tools were placed in storage for periods of up to one year. The investment plans of these enterprises were fulfilled, but the purchases were not placed in operation and did not contribute to production. Of all investments for capital goods in the electrical equipment industry, only 37 percent of equipment purchased was placed in operation in 1950. On 1 July 1951, approximately 65 percent of production equipment was actually in use, although the demand for products was greater than ever.

The managements of plants and enterprises "took the line of least resistance," the article declares, by fulfilling the investment plan as rapidly as possible without regard for practical considerations. "Industrial units were produced under the investment plan, but were not utilized according to the schedule of the production plan." Furthermore, it adds, the industry entrusts the registration of production statistics to unqualified men.(3) According to the 31 July 1951 communique of the State Planning Commission and of the Central Directorate of Statistics, the electrical equipment industry fulfilled its second quarter of 1951 plan 108.7 percent.(4) Lazar and Saon point out that only 65 percent of this production equipment ordered in the first half of 1951 was utilized.(3)

R. Saveanu points outs, in the March 1951 issue of Probleme Economice, a similar situation in the construction industry. He declares that at the end of the plan year, certain enterprises stock large quantities of construction materials and make large advance payments to suppliers and construction enterprises in order to include these items in achievement reports. This practice, he adds, leads to the reporting of false data, since stocked materials and advance payments do not represent actual construction achievements, and lead to erroneous planning. Advance payments are subtracted from the general allocation for the actual construction work on the assumption that the work has already been done. Actually, however, Saveanu points out, the work must be performed in the following year. Hunedoara, Republica in Bucharest, and Moldova in Botosani are among the numerous enterprises which reported more than 20 million lei of advance payments in plan-achievement figures.(5)

Lazar and Saon state that frequently individual enterprises are so eager to fulfill plans that they resort to manipulations in order to complete quotas on schedule at any cost. For example, the Muncitorul Liber Uzina (Muncitorul Liber Plant) in Bacau was assigned a tonnage quota for the production of screws, principally for the electrical equipment industry. The management disregarded contract obligations for small-size screws and produced instead large-size ones, thus fulfilling the planned tonnage more rapidly. Although the enterprise fulfilled its planned tonnage in this manner, the products could not be used by consumers. Electro-Aparataj, for example, received only 10.3 percent of the orders for May 1951 in usable sizes.(3)

Many mines fulfill quotas by "making up" accumulated deficits in monthly and quarterly production by "rush work" at the end of the plan period, according to engineers S. Ganitchi and P. Coppelovici. Consequently, they point out, production of coal lags so that at the end of the plan period workers must be shifted from construction and all other activities at the mines and every effort is made to attain quotas at the expense of work in other sectors. When the quota has been fulfilled, the mines revert to the former rate of production. As a result, they say, consumers receive an uneven supply which does not coincide with their own plan needs.(6)

Sacrifice of Quality

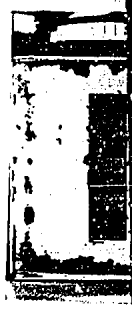
The rush to fulfill quotas may result in the sacrifice of quality, according to Lazar and Saon. For example, they point out, Fabrica de Scule in Rasnov, Industria Sarmei in Turda, Otelul Rosu, Laminorul in Bucharest, Electro-Ceramica, Electro-Izolantul, and other enterprises supplied faulty materials which had to be rejected. Part of the blame for the poor quality of products was placed on the inadequate training of personnel, who are required to perform tasks beyond their ability and skill. Quota-fulfillment figures included the rejected products.(3)

Ganitchi and Coppelovici, in the March 1951 issue of Probleme Economice, state that in 1950 the coal industry received quantities of defective equipment which could not be used without repair or reprocessing.(6) Engineer A. Kottlar, in Buletinul de Standardizare, March 1951, states that Sovromcarbune (Soviet-Rumanian Coal Enterprise) fulfilled production requirements in 1950; however, he states, in many cases the coal did not meet quality specifications.(7) The production figure for coal, according to Ganitchi and Coppelovici, did not take into account the fact that part of the output was unsatisfactory. At times large quantities of coal remained in mine storage depots because of poor quality according to Ganitchi and Coppelovici.(6)

According to Engineer A. Kottlar, Sovrommetal (Soviet-Rumanian Metallurgical Enterprise) likewise fulfilled quotas, but products were of low quality as a result of inferior coke obtained from Sovromcarbune coal. He lists five examples from the metallurgical industry to show that although standardization norms were fulfilled, the desired products were not developed. There were failures, delays, and other complications in standardizing products at the Resita plants of Sovrommetal. He states that STAS (State Standardization) drawings were not accurate, gauges produced at Resita were not up to specifications, standards for hardness of metals were set too high, forced oil feed pressure on pumps was found to be too high, and machinery proved unable to do the work intended after products had been changed to suit the new specifications.(7)

According to C. Filoreanu, equipment produced and supplied by the machine industry to the petroleum industry was defective and had to be returned for repair. Suppliers were more interested in filling quotas on schedule than in the quality of products.(8)

R. Saveanu, pointing out general errors in the investment program, says that many industrial units were defectively constructed due either to the complexity of the process involved or to errors in planning and work. As a result, he says, there are long delays in putting equipment into operation, because defective parts must be rebuilt. This incurs supplementary expenses, increases in the cost of investments, and difficulties in plan fulfillment on the part of consumers. Saveanu gives as an example the purchase of a lathe by the Baia Sprie mines. Even though new, the lathe had to be repaired before it could operate at maximum efficiency.(5)



Ganitchi and Coppelovici say that the metallurgical industry assigned production of mining equipment to plants which lacked the necessary manpower and machinery for the purpose. The mining industry, in turn, ordered equipment late, disregarding the plans of the metallurgical industry, they state. The fulfillment of orders was further complicated by frequent changes in orders and failure to specify the exact type of equipment desired. Mining engineers rejected all defective equipment, such as hydraulic hammers and drills manufactured by Cugir and products of Semanatoarea and the IMB metallurgical enterprise.(6)

Barbulescu and Fulop, in an article in the September 1951 issue of Probleme Economice, state that the metallurgical industry is especially guilty in the manufacture of rejects and poor-quality products. They go on to say that at some enterprises the percentage of rejects rose in the first half of 1951. At Steagul Rosu, they state, lathe shop products which were rejected reached 12 percent of the entire production. At the 23 August plant, rejects were 8.8 percent; at Progresul, 18 percent; at the CSH (Hunedoara Steel Combine), the percentage of inferior-grade steel during August 1951 was 11 percent; and in Victoria Calan, 10.7 percent. Barbulescu and Fulop state that attempts to improve the quality of products in various other industries have been unsatisfactory.(9)

Industrial Statistics

R. Saveanu reports in Probleme Economice that many construction enterprises and sectors succeeded in fulfilling their plans for 1950 and early 1951. However, he explains parenthetically, overfulfillment occurred only in those cases in which projects had already begun prior to the plan period reported.(5)

Filoreanu, in Probleme Economice, says that during the first 6 months of 1950 extraction norms were exceeded at Campina. The over-all production plan for the field was 100.86 percent in the first half of 1950. Thus, he states, the production plan was fulfilled. He then describes the operations of the field as follows: Of the 521 wells used for extraction of crude oil by Sovrompetrol in Campina, 200 were acquired from small enterprises. These were in poor condition and were equipped with old machinery. The first and second sections at the Mislea wells, which were expected to yield more than half of the crude oil extracted at Campina, were hampered by old and nonstandard equipment. Parts at one installation are not interchangeable with those at other plants. Work was poorly organized. The outmoded installations were responsible for many accidents. There were 17 major accidents during the first 6 months of 1950. Competitions were not established.(8)

Engineer R. Saveanu, in Probleme Economice, states that the State Planning Commission reports that, although the Ministry of Constructions had fulfilled "its share of the plan" for 1950, the general construction plan for 1950 was not fulfilled. He then lists a number of construction projects not completed within the scheduled period.(5) [Legally all constructions are under the Ministry of Constructions.]

Manpower Statistics

R. Iazar and Gh. Saon, writing in Probleme Economice, point to successes achieved in the training of specialists for the maintenance and production of machines and equipment such as coils, machine tools, incandescent lamps, fraising machines, lathes, dies, and other items. Training programs have been established to develop the skilled workers needed in the electrical equipment industry. For example, three intermediate professional schools and three electrical equipment schools were founded in Bucharest, Iasi, and Timisoara. The article paints a bright picture of the training program, presenting the following table as an illustration of achievements for the first half of 1951 in percentages (3):

Place of Training	First Quarter			Second Quarter		
	Planned Attendance	Actual Attendance	Completed Courses	Planned Attendance	Actual Attendance	Completed Courses
At factories	100	61.5	4.7	100	57	35.7
Training courses	100	53	5.3	100	40	30
Advanced schools	100	12	--	100	--	--

Ganitchi and Coppelovici, in Probleme Economice, state that in the mining industry one billion lei were provided for the training of mine workers under the Five-Year Plan. They say that more miners in intermediate categories completed programs than foreseen in the 1950 plan. The Five-Year Plan calls for the training of 26,000 miners for specialization or qualification for higher positions. Professional schools are to graduate more than 1,800 students, technical schools approximately 1,500, and advanced technical schools approximately 750, the authors explain. They further report that the educational plan has been considered successful. In another part of the article, however, they report that attendance among miners averaged less than 60 percent of the plan. Schedules and school locations did not take into account local conditions. Courses were poorly organized and interest among miners lagged because graduates did not attain improved status.(6)

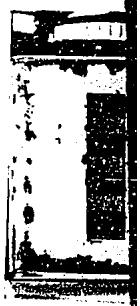
Failure to Understand Figures

Ganitchi and Coppelovici write in Probleme Economice that the plan for the coal industry was to be explained at a series of meetings. Each worker was to be told his own obligations for the improvement of mining techniques and for the reduction of costs and investments. Instructions were to be given by managements to sections, teams, and individuals. These meetings were intended in part to acquaint lower echelons with the manner in which they were to report production and costs according to required indexes. However, workers proved unable to understand how to calculate indices for their own production.

Ganitchi and Coppelovici state that long-range plan figures in the coal industry were drawn up by high-level planners without consulting mine officials as to the best practical methods for development and expansion of mines. A daily progress record of long-range plans is supposed to be maintained, they continue, but such records are not accurate because of the lack of trained personnel who understand the accounting system.(6)

Lazar and Saon, writing in Probleme Economice, September 1951, state that the maintenance of records of daily production in the electrical equipment industry is entrusted to unqualified personnel. At some plants, such as Dinamo, shifts regularly failed to maintain any records at all.(3)

C. Filoreanu, in the March 1951 issue of the same periodical, writes that basic records of lower level production units in the petroleum industry are often faulty. For example, in 1950, brigade leader Sandulescu of the fourth production section of Sovrompetrol in Campina falsified production reports to conceal the fact that a number of oil wells had been damaged. Some oil wells failed entirely to maintain charts and records, the article states, and thus no close check could be maintained on their activities. Accidents and breakages are so frequent that crews attempt to conceal the extent of the damage by reporting false figures.(8)



Control of plan fulfillment in coal mining was generally defective and consequently monthly reports from mines were incomplete and filled with errors, according to Engineers S. Ganitchi and P. Coppelovici, in Probleme Economice. No detailed analysis was maintained of the variation of individual components of the total production cost. The quarterly correlation of work and wages to assure that the over-all production would increase more rapidly than the salary fund was not carried out in a number of mines.(6)

Filoreanu, in the article quoted above, states that individual workers, who, in many industries prepare their own output figures, seem to have little understanding of the significance of statistical figures. For example, Filoreanu writes that the successful fulfillment of pledge quotas by individuals and groups is a matter of interpretation. Those entrusted with the preparation of volunteer quotas, or even the volunteers themselves, may be unaware of the significance of their pledges, he states. In many instances, petroleum workers made pledges, but were unable to determine the success of their own work, because the records were too complicated to understand. Enterprise managements had prepared forms which evaluated work on a complex numerical point basis. Workers had difficulty in understanding the point system, and, as a consequence, forms were not filled out in many instances.

Filoreanu further says that the enterprise committee of one oil area "was satisfied" with the conclusion of "competition contracts." However, once it had delivered these contracts to higher headquarters and reported achievements in the organization of competitions, it never enforced these contracts.(8)

Barbulescu and Fulop describe at length achievements of textile mills, steel plants, railroad car plants, mines, and other types of enterprises active in the campaign to conserve raw materials. However, the periodical continues, one of the factors necessary for the success of the campaign is "the determination in a scientific manner of indexes for the use of raw materials." Many enterprises throughout the country participate in the campaign, but fail to determine their exact consumption of raw materials because they have not developed an accurate statistical index. Such enterprises cannot successfully reduce their use of raw materials, such as nonferrous, textiles, paints, and others.

The article states that consumption indexes must be developed and the trained personnel necessary to maintain them must be prepared. All organizations should devote special attention to a scrupulous analysis of unnecessary expenses, of the rate of use of raw materials, and to the establishment of a "progressive norm" for their use. In the past, the article declares, enterprises have neglected to prepare records and thus are not now in a position to determine the extent of existing reserves of materials. Warehouses must be provided with the necessary means of measuring stocks on hand. Similar controls and records must be established in all parts of an enterprise so that the use of raw materials be known at all times.(9)

Engineer R. Saveanu, in Probleme Economice, states that statistics constitute an important method of state control, since they permit the state to supervise the progress of plan fulfillment and to formulate future plans. For this reason, he continues, statistical data must give a true picture and be the result of faithful and accurate compilation. "We are still weak in this respect," he adds. "Collection of accurate data -- the basis of statistical operations -- is still ineptly and slowly performed."

He goes on to say that central organs do not receive sufficiently accurate data, since industrial enterprises frequently release figures which may be interpreted in various ways. This lack of accuracy must be corrected, he states, since it deprives the central organs of the government of a means of control, and causes difficulties in planning. For example, the preparation of quarterly plans is frequently hampered by insufficient knowledge of the progress of work at any given time.(5)

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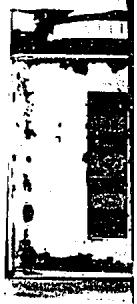

Failure to Understand Planning

According to Saveanu, in Probleme Economice, individual plants or enterprises apply for allocations under the investment plan in such a way to show that they did not understand planning. In 1949, the former Petrolifera Muntenia (Muntenia Petroleum Enterprise) requested an allocation of 13 million lei to cover the cost of nine projects which required 15.5 million lei, hoping to save the difference in labor and materials. In other instances, projects were submitted which could not possibly have been completed within the course of a year, either because they were too elaborate, or because the plants which were to implement them had yet to be completed. Thus, according to Saveanu, the General Directorate for Iron and Steel submitted a project for classifying and stocking minerals at the CSH, which had to be deleted from the plan as being premature, since the personnel and facilities for such work were not available.

There is a tendency among enterprises to "willfully underestimate" the cost and size of planned undertakings, Saveanu declares. This necessitates changes in plans. For example, the investment plan for 1951 had to be altered several times for this reason. "Those who try to obtain funds by willfully underestimating the cost of a project on the assumption that once started it will have to be completed, misunderstand the best interests of their enterprises," Saveanu continues. The 7 Noembrie Santier (7 November Shipyard) in Galati submitted the cost of two traveling cranes as 5 million lei. The eventual cost was 12 million lei, necessitating additional grants of funds.(5)

C. Filoreanu, in Probleme Economice, a 100-percent increase in drilling operations was planned at the Campina petroleum collective during 1950. Although the collective submitted plans to show that it would fulfill the new and larger quotas, no equipment was procured for such an expansion. As a result, during the first 6 months of 1950, the collective had only five derricks available for expansion, and its plan figure had to be changed.(8)

Saveanu, in Probleme Economice, states that padding the investment plan forces a dispersion of construction and financial efforts. Undertaking the construction of more projects than is warranted by the supply of materials and manpower will naturally result in shortages and delays. He states that the general inability of personnel to prepare or understand plan statistics resulted in the creation of the planning institutes to overcome this problem.(5)

M. Maevschi states that the maintenance of financial records, upon which the investment plan and computation of production costs are based, is likewise faulty. Financial transactions, he says, as well as routine bookkeeping entries, are not up to date. Debits and credits are computed late, so that no exact knowledge of funds is available. This results in the spending of sums greater than provided by the budget. Consequently, he continues, funds which are intended for deposit are used to cover plan losses. There are frequent delays in the depositing of funds by enterprises because of the lack of records to explain them.

Financial discipline is weak, M. Maevschi continues. There are numerous cases of the use of funds for purposes not designated by plans. Funds set aside for exploitation are used to procure capital goods. Salaries are taken from the reserve fund. Advances are granted on salaries after the books have been balanced, so that figures no longer correspond to the amount on hand. Maevschi concludes by stating that funds set aside for nurseries and old-age homes are used for the furnishing of the offices of plant directors.(1)

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4. Scanteia, 31 Jul 51

5. Engineer R. Saveanu, "The Investment Plan," Probleme Economice, Mar 51

6. Engineers S. Ganitchi and P. Coppelovici, "Toward the Elimination of Slowdowns in the Coal Industry," Probleme Economice, Mar 51

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